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11 Attorneys for Debtors

12
13 UNITED STATES BANKRUPTCY COURT

14 DISTRICT OF OREGON

15 In re

Case No. 19-32599-dwh11

16 Wall to Wall Tile & Stone-Oregon LLC, an
17 Oregon limited liability company,

18 Debtor.

19 In re

Case No. 19-32600-dwh11

20 Wall to Wall Tile & Stone, LLC, a
21 Washington limited liability company,

22 Debtor.

23 In re

Case No. 19-32603-dwh11

24 Wall to Wall Tile & Stone-Idaho LLC, an
Idaho limited liability company,

25 Debtor.

**DECLARATION OF JAMES KELLER
IN SUPPORT OF FIRST DAY
PLEADINGS**

1 I, James Keller, hereby declare that the following statements are true to the best of
2 my knowledge and belief, that I am competent to testify to the matters stated herein, and that I
3 understand they are made for use as evidence in court and are subject to penalty for perjury.

4 1. On July 16, 2019 (the "Petition Date"), Debtors and Debtors-in-Possession
5 Wall to Wall Tile & Stone-Oregon LLC, an Oregon limited liability company ("Wall to Wall
6 Oregon"), Wall to Wall Tile & Stone, LLC, a Washington limited liability company ("Wall to
7 Wall Washington"), and Wall to Wall Tile & Stone-Idaho LLC, an Idaho limited liability
8 company ("Wall to Wall Idaho") (collectively, "Debtors" or "Wall to Wall") filed voluntary
9 petitions for relief under Chapter 11 of Title 11 of the United States Code.

10 2. I am a Certified Public Accountant and Certified Fraud Examiner. I have
11 a Bachelor of Science in both Psychology and Biology and a Masters of Taxation from Portland
12 State University.

13 3. I am a Project Manager with Edward Hostmann Inc. ("EHI"), which was
14 hired to provide financial consulting services for Debtors starting on June 13, 2019. EHI
15 provides financial distress management and advisory services to lenders, financial institutions,
16 and companies. Our team has experience in all areas of business strategy, finance, and
17 organizational management.

18 4. I began my career with PriceWaterhouse, and subsequently held senior
19 financial executive roles with large privately-held companies in various industries, including
20 chief executive officer, chief operating officer, chief financial officer, and corporate controller
21 for companies with annual sales ranging from \$6 million to \$250 million.

22 5. I have provided receivership project management services for many
23 engagements involving workouts, restructurings, liquidations, and receiverships. My project
24 management skills include operational management and assessment, safeguarding and
25 maximizing asset value, and personnel management in crisis management situations.
26

1 6. I have been working closely with Wall to Wall's senior leadership since
2 EHI was hired to provide financial services to Wall to Wall. I submit this declaration to assist
3 the Court and other parties-in-interest in understanding the circumstances that compelled the
4 commencement of these Chapter 11 cases, and in support of Debtors' voluntary Chapter 11
5 petitions and the various motions and applications Debtors filed with the Court in support of the
6 issuance and entry of first day orders. Except as otherwise indicated, all facts set forth in this
7 declaration are based on my personal knowledge; my review of relevant documents; or my
8 opinion based upon my experience, knowledge, and information concerning Debtors' operations
9 and financial affairs. If called upon to testify, I would testify to the facts set forth in this
10 declaration. I am authorized to submit this declaration.

11 7. Promptly after filing their Chapter 11 petitions, Debtors filed certain
12 applications, motions, and proposed orders (the "First Day Motions"). Debtors request that
13 Orders be entered on each of the First Day Motions, as each constitutes a critical element in
14 achieving a successful reorganization of Debtors for the benefit of all parties-in-interest.

15 **BACKGROUND OF WALL TO WALL**

16 8. Wall to Wall was founded in 2008 in Vancouver, Washington by Tyler
17 Kruckenberg with four employees. Mr. Kruckenberg had 20 years of experience in the stone
18 countertop supply and fabrication industry. He envisioned a large scale advanced manufacturer
19 that could deliver fully integrated solutions offering better selection, price, and service to the
20 market.

21 9. Wall to Wall has grown to approximately 250 employees and annual sales
22 exceeding \$30 million. Wall to Wall's sales are concentrated in granite and quartz countertops.
23 Marble and exotic stones, including soapstone, slate, and limestone are also offered, as are
24 custom stone vanity tops, backsplashes, floor tiles, and other interior surfaces. To complement
25 its array of stone countertop products, Wall to Wall offers several value-added services,
26

1 including design, project layout, home visitation for digital measurement, customized cutting,
2 and hand finished home installation.

3 10. The companies operate out of five locations. In Vancouver, Washington,
4 there are two locations: a 44,000 square foot facility that houses distribution, design,
5 engineering, manufacturing, and warehousing and a separate 5,664 square foot corporate office
6 and public showroom. In Boise, Idaho, there is a 37,000 square foot facility that houses
7 manufacturing, distribution, and a public showroom. A public showroom is also located in Kent,
8 Washington and a private showroom for contractors is located in Bend, Oregon.

9 **EVENTS LEADING TO BANKRUPTCY**

10 11. Wall to Wall filed for Chapter 11 protection as a result of the entry of a
11 \$4,500,000 judgment filed against it by a single creditor. Wall to Wall is unable to pay the
12 judgment.

13 **CURRENT OPERATIONS**

14 12. As set forth above, Debtors are comprised of three entities. The entities'
15 financial and business affairs are closely related. For example, Debtors' banking, administrative,
16 and operational services are shared collectively among the three entities and their common senior
17 management.

18 13. Wall to Wall sells and distributes stone countertops to hundreds of
19 customers throughout Oregon, Washington, and Idaho. The company sells both directly to
20 customers and indirectly thorough distribution partners. Indirect customers include wholesale
21 flooring providers and cabinet companies which serve the major residential and multi-family
22 builders in the region. Direct customers include local and regional home and multi-family
23 builders, contractors, remodelers, and national home centers and retail flooring providers. Wall
24 to Wall also has significant contracts with major retailers pursuant to which Wall to Wall
25 completes the fabrication and installation of materials purchased by those retailers.
26

1 14. During the course of its Chapter 11 case, Wall to Wall intends to perform
2 its existing commercial and residential contracts and honor its warranty obligations.

3 **DEBT STRUCTURE**

4 15. Debtors have a revolving line of credit from Wells Fargo Bank, National
5 Association ("Wells Fargo") (the "Line of Credit"), evidenced, in part, by a Credit Agreement
6 dated August 21, 2018 in the principal amount of \$8,000,000 (the "Credit Agreement"). The
7 present balance on the Line of Credit is approximately \$6,500,000. The Line of Credit is secured
8 by a security interest in and to all of Debtors' presently owned and thereafter acquired inventory,
9 accounts, general intangibles, rights to payment, and equipment, together with all proceeds of the
10 foregoing (as more fully described in a Security Agreement: Business Assets dated as of
11 August 21, 2018, the "Wells Fargo Collateral").

12 16. On or about August 30, 2018, Wells Fargo Equipment Finance, Inc.
13 (hereinafter referred to as "WFEFI") extended a loan (the "WFEFI Loan") to Debtors, evidenced,
14 in part, by that certain Master Loan and Security Agreement (the "Loan Agreement") and a Loan
15 Schedule to Master Loan and Security Agreement, both dated as of August 30, 2018, in the
16 stated principal amount of \$2,493,831.78. On or about April 30, 2019, WFEFI advanced
17 additional amounts on the WFEFI Loan pursuant to a second Loan Schedule to Master Loan and
18 Security Agreement dated as of April 30, 2019, in the stated principal amount of \$309,433.45.
19 The present balance owed to WFEFI is approximately \$2,300,000.

20 17. Debtors' obligations under the WFEFI Loan are secured by a security
21 interest in and to all of Debtors' presently owned and thereafter acquired inventory, accounts,
22 general intangibles, rights to payment, and equipment, together with all products and proceeds of
23 the foregoing (as more fully described in a Security Agreement dated as of August 30, 2018, the
24 "WFEFI Collateral").

1 18. All of Debtors' cash, including, but not limited to, cash proceeds from the
2 collection of customer contracts and accounts receivable ("Cash Collateral"), is cash collateral of
3 Wells Fargo and WFEFI.

4 19. To preserve and maintain the assets of this bankruptcy estate and to
5 preserve the value of Debtors as a going concern, Debtors require the use of Wells Fargo's cash
6 collateral.

7 20. Debtors have prepared a 13-week cash collateral budget (attached to
8 Debtors' Motion for Authority to Use Cash Collateral) (the "Budget") setting forth the amount
9 necessary for Debtors' continued operations prior to the final hearing and during such 13-week
10 period.

11 21. Without the use of cash collateral, Debtors have insufficient funds to meet
12 their expenses and other obligations set forth in the Budget. Debtors have an immediate need to
13 use Wells Fargo's cash collateral to pay their vendors, employees, benefit plans, and ongoing
14 operating expenses.

15 22. It is in the best interest of Debtors, their creditors, and their estates for
16 Debtors to use Wells Fargo's cash collateral because the use of cash collateral will allow the
17 continued operation of Debtors as a going concern, will maximize the likelihood of
18 reorganization, and will maximize the recovery to all creditors.

19 23. To provide adequate protection for the use by Debtors of Wells Fargo's
20 cash collateral, Debtors propose that Wells Fargo (a) be granted a replacement security interest
21 in and lien upon Debtors' assets generated or acquired from and after the Petition Date of the
22 same category, kind, character, and description as were subject to Wells Fargo's lien on the
23 Petition Date; and (b) be paid adequate protection payments as set forth in the Budget. The
24 adequate protection granted to Wells Fargo will not enhance or improve the position of Wells
25 Fargo.
26

24. Debtors require the immediate use of Wells Fargo's Cash Collateral to minimize disruption to, and avoid termination of, their operations, and thereby avoid immediate and irreparable harm to their business.

POSTPETITION FINANCING

25. Debtors have filed a motion seeking authority to obtain credit and incur debt from Baffco Enterprises, LLC (“Baffco”). Baffco has agreed to make optional advances in amounts totaling up to \$2,000,000.

26. Debtors' immediate known needs are set forth in the Budget attached to Debtor's Motion for Authority to Use Cash Collateral. Debtors also need to be ready to meet additional unexpected needs and business requirements as they may arise. As set forth in the Budget, Debtors' cash flow is such that additional funds may be needed from time to time in order to provide adequate working capital. Although Debtors expect Wells Fargo to allow the use of its cash collateral, Wells Fargo is not willing to advance additional funds. Debtors also anticipate that additional working capital may be needed to fund payment of goods received within 20 days of the Petition Date, if allowed, or to provide cash advance or other terms as may be necessary for Debtors to continue to acquire necessary materials in the course of their business operations. Further, funds are also needed to pay the administrative expenses associated with the Chapter 11 case and provide for any contingencies that may arise.

27. Debtors have an immediate need to obtain additional working capital in order to meet their obligations and operate their business. Without approval of Debtors' motion to obtain credit and incur debt from Baffco, Debtors will be unable to maintain and preserve their business operations and provide necessary and appropriate assurances to all vendors, suppliers, customers, and creditors that they will be able to maintain and preserve their assets and effectuate orderly and efficient reorganizations. If Debtors are unable to have sufficient funds available to provide such assurances, Debtors' ability to reorganize will be seriously jeopardized, to the substantial detriment of creditors, employees, and other parties-in-interest. Debtors are

1 unable to obtain adequate financing on equal or more favorable terms than those offered by
2 Baffco.

3 28. Pursuant to Debtors' loan agreement with Baffco, Baffco has agreed to
4 make optional advances in amounts totaling up to \$2 million. Debtors anticipate that up to
5 \$1 million of that amount may be needed on an interim basis pending a final hearing on this
6 Motion

7 29. Debtors believe the proposed terms and conditions in the loan agreement
8 with Baffco are fair and equitable and in the best interest of Debtors' estates. An immediate
9 need exists for Debtors to obtain credit in order to enable Debtors to operate their business
10 pending a final hearing on the Motion and to avoid immediate and irreparable harm to Debtors,
11 their estates, and their creditors.

12 30. In particular, and as discussed herein, Debtors intend to use Cash
13 Collateral or post-petition loans to pay for (a) payroll, (b) goods received within 20 days of the
14 Petition Date, (c) utility deposits, (d) stone and tile materials, and (e) general operating expenses.

15 **PREPETITION WAGES**

16 31. As set out above, Debtors employ approximately 250 employees.

17 32. Debtors have an average bi-weekly payroll of approximately \$485,000 per
18 pay period.

19 33. Debtors' employees are paid every other Friday. On July 12, 2019,
20 employees were paid their wages for the pay period June 23, 2019 through July 6, 2019.
21 Because the Petition Date is July 16, 2019, Debtors have incurred unpaid prepetition obligations
22 for wages, salaries, expenses, commissions, and other employment compensation and benefits
23 for the period July 7, 2019 to July 15, 2019.

24 34. The total amount Debtors are obligated to pay for accrued and unpaid
25 prepetition wages, salaries, expenses, commissions, compensation, taxes, and benefits is
26 approximately \$303,481. No employee will be paid more than the \$12,850 with the next payroll.

1 **GOODS RECEIVED WITHIN 20 DAYS**

2 35. Within 20 days immediately prior to the Petition Date, Debtors purchased
3 and received a variety of inventory and other goods used in business operations ("503(b)(9)
4 Claims").

5 36. The great majority of the suppliers of these goods ("503(b)(9) Claimants")
6 are essential to Debtors operations. Debtors rely on these suppliers to frequently and timely
7 deliver critical goods. Debtors estimate that approximately \$750,000 was owing to these
8 suppliers as of the Petition Date.

9 37. To ensure continued and timely delivery of goods critical to the operation
10 of Debtors' business, and to help ensure that Debtors have access to post-petition trade credit,
11 Debtors seek entry of an order authorizing, but not directing, Debtors to pay any undisputed
12 503(b)(9) Claims.

13 38. Payment of the 503(b)(9) Claims is necessary for Debtors to maintain their
14 existing vendor relationships and preserve the going concern value of Debtors' estates.

15 39. The vast majority of 503(b)(9) Claimants provide goods that are critical to
16 Debtors' ongoing operations. Any erosion in Debtors' relationships with their vendors may
17 threaten Debtors' ability to keep their locations adequately supplied. Debtors cannot afford any
18 material disruptions in obtaining goods from their vendors or present anything less than a
19 business-as-usual appearance to the public.

20 40. Payment of the 503(b)(9) Claims is necessary to prevent immediate and
21 irreparable damage to Debtors' business operations, going-concern value, and ability to
22 reorganize.

23 **UTILITIES**

24 41. In connection with the operation of its business, Debtors obtain telephone,
25 electric, gas, water, and other utility services (collectively, "Utility Services") from numerous
26 utility companies ("Utility Companies").

42. Debtors have proposed to make adequate assurance payments to the Utility Companies consisting of a cash deposit upon request equal to one month of average service for each utility.

I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS
TRUE AND CORRECT.

This Declaration was executed on this 16th day of July, 2019.

/s/ James Keller
James Keller

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